REPORT

OF THE

SUPERINTENDENT OF PENSIONS

ON THE

ADMINISTRATION OF THE PENSION BENEFITS ACT

FOR

THE YEAR ENDING MARCH 31, 2000

NOVA SCOTIA

Department of Environment and Labour

Pension Regulation Division

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May 8, 2001

The Honourable David Morse
Minister of Environment and Labour
P.O. Box 697
HALIFAX, NS B3J 2T8

Dear Sir:

Pursuant to the requirements of Section 94 of the *Pension Benefits Act*, I have the honour to submit herewith the Annual Report of the Pension Regulation Division for the fiscal year ended March 31, 2000.

Respectfully submitted,

Nancy MacNeill Smith
Superintendent of Pensions

NMS/aa

TWENTY-THIRD ANNUAL REPORT ON THE ADMINISTRATION OF THE PENSION BENEFITS ACT FOR THE PERIOD ENDED MARCH 31, 2000

INTRODUCTION

In accordance with Section 94 of the *Pension Benefits Act* (RSNS, 1989, ch. 340) , the Superintendent of Pensions is required to report annually to the Minister. This Report covers the affairs and transactions of the fiscal year 1999-2000.

The *Pension Benefits Act* governs employer-sponsored pension plans established in respect of Nova Scotia employees. It does not apply to employees engaged in work that is subject to federal jurisdiction, nor does it apply to the pension plans established for provincial public servants, teachers, judges, or members of the legislature.

The main objective of the *Pension Benefits Act* is to safeguard employee entitlements to benefits promised under private sector plans. This is accomplished through the establishment of minimum funding standards and minimum benefit standards in respect of eligibility requirements, vesting and locking-in, employer contributions, transfer rights, spousal benefits, prohibitions against sex discrimination and disclosure of information.

The Superintendent of Pensions, Pension Regulation Division, is responsible for the administration of the Act.

The Division regulates 481 ongoing pension plans, covering 70,292 members, at January 1, 1999 (based on information collected by the Division and provided to Statistics Canada).

PENSION BENEFITS STANDARDS LEGISLATION

In addition to the *Pension Benefits Act* of Nova Scotia, pension benefits standards legislation has been enacted by the following governments:

Canada	Pension Benefits Standards Act, effective October 1967. Revised effective January 1, 1987.
Ontario	The Pension Benefits Act, 1965, effective January 1, 1965. Revised effective January 1, 1988.
Saskatchewan	The Pension Benefits Act, 1967, effective January 1, 1969. Revised effective January 1, 1993.
Quebec	Supplemental Pensions Plan Act, effective January 1, 1966. Revised effective January 1, 1990.

Manitoba	The Pension Benefits Act, effective July 1, 1976. Amended to January 1, 1990.
Alberta	Employment Pension Plans Act, effective January 1, 1987. (Replaced the Pension Benefit Act which was effective January 1, 1967).
Newfoundland	The Pension Benefits Act, effective January 1, 1985. Revised effective January 1, 1997.
New Brunswick	The Pension Benefits Act, effective January 1, 1992.
British Columbia	The Pension Benefits Standards Act, effective January 1, 1993.

The representatives of those authorities who have pension legislation meet on a continuing basis to discuss changes in the pension field and means of dealing with problem areas. Representatives of the various authorities are members of the Canadian Association of Pension Supervisory Authorities (CAPSA).

CAPSA is an interjurisdictional association of pension supervisory authorities whose mission is to facilitate an efficient and effective pension regulatory system in Canada.

During the year under review, CAPSA met in September, 1999, in Nova Scotia. The development of a strategic plan for CAPSA, legislative and regulatory harmonization, and the reciprocal agreement provided the main focus of the meeting.

AGREEMENTS WITH OTHER AUTHORITIES

Agreements with the Government of Canada and other provinces having pension legislation provide for the reciprocal registration, audit and inspection of pension plans. Under these agreements, a pension plan subject to the legislation of more than one authority is supervised by the jurisdiction which has the greatest number of plan members. The regulatory body in the jurisdiction of registration applies the rules of other jurisdictions where applicable.

POLICY INITIATIVES

In December, 1999, the Superintendent announced a policy regarding the requirement to register as pension plans certain structured RRSP's that qualify as pension plans under the Pension Benefits Act. The issue arose because of certain structured RRSP's that imposed restrictive covenants extending beyond employment on employees' access to the funds accumulated in the RRSP.

The Superintendent advised the financial services industry that any plan that requires employer contributions, and is organized and administered to provide pensions for members, must be registered under the Pension Benefits Act.

LEGISLATIVE REVIEW

Updates were made to the draft bill prepared in the previous year. This Bill amends the Act to provide for housekeeping changes, harmonization with other jurisdictions, and addresses the policy issues for which public opinion was sought in the November 1998 discussion paper.

OPERATION OF THE DIVISION

As at March 31, 2000, the Division was responsible for the supervision of 498 pension plans. Seven applications for registration were received during the fiscal year and eleven of the filed plans were in the process of being wound up.

SUMMARY OF PENSION PLANS APPROVED TRANSFERRED OR TERMINATED TO MARCH 31, 2000

	TOTAL AS AT MARCH 31, 1999	ADDITIONS - (DELETIONS)	TOTAL AS AT MARCH 31, 2000
Filed Plans	1,333	15	1348
Plans Transferred From Other Jurisdictions	17	1	18
Applications Withdrawn	(13)	0	(13)
Plans Terminated	(755)	(27)	(782)
Plans Transferred To Other Jurisdictions	(73)	0	(73)
Active Plans On File	509	(11)	498
Deduct: Plans In Process of Registration	(12)	4	(8)
Registered Plans	497	(7)	490

A total of 14 Certificates of Registration were issued. Three plans submitted prior to April 1, 1999, and five submitted in 1999/00 require further documentation and/or amendments before they will be accepted for registration.

The Division received 1,458 pieces of correspondence during the 1999-00 period, and responded within an average of 25 days.

Three hundred seventy-two pension plan documents were approved during the fiscal year.

As at April 1, 1999, there were 114 approved Life Income Funds on the Superintendent's List of Approved Life Income Fund Arrangements. As at March 31, 2000, there were 134 on the List.

The following table shows that during the period under review, 27 pension plans were terminated covering 886 employees. There were five partial plan terminations affecting 125 members.

TERMINATED PENSION PLANS

REASON	# OF PLANS	# OF ACTIVE MEMBERS
No members left	8	0
Financial difficulty/bankruptcy	2	3
Company dissolved/sold	3	171
Replaced with Group RRSP	5	472
Merged with another	5	235
No reason given	4	5
TOTAL	**27**	**886**

CONTRIBUTIONS

In accordance with Section 27(1) of the *Pension Benefits Act*, every employer with a registered pension plan in Nova Scotia is required to file an Annual Information Return(AIR) outlining the contributions made to the pension plan and changes in plan membership.

Contributions and membership data from filed Annual Information Returns are complied and forwarded to Statistics Canada for the inclusion in their Annual Report on pension plans in Canada. Information from the Return is also forwarded to Revenue Canada.

Total contributions for 1999 were $232,783,909, up from $194,375,750 in 1998.

Based on the Returns filed with the Division, the Employee and Employer Contributions to pension plans under supervision for the year ending December 31, 1999, were as follows:

1999 CONTRIBUTIONS:

Employee Required Contributions	$70,733,592	
Employee Voluntary Contributions	4,297,249	
TOTAL EMPLOYEE CONTRIBUTIONS -	$75,030,841	$75,030,841
Actual Employer Current Service Contributions	$120,125,308	
Employer Contributions made from Surplus	24,939,610	
TOTAL EMPLOYER CURRENT SERVICE CONTRIBUTIONS -	$145,064,918	
Employer Special Payments	12,688,150	
TOTAL EMPLOYER CONTRIBUTIONS -	$157,753,068	$157,753,068
TOTAL CONTRIBUTIONS		**$232,783,909**

JURISDICTION OF PLAN MEMBERSHIP AND MEMBERSHIP COVERAGE

Information provided by Statistics Canada based on information collected by the Division indicates that as of January 1, 1999, there were 1,508 pension plans in all jurisdictions covering 151,327 Nova Scotia Employees. The Division supervised 481 plans covering 70,292 members; 8,180 of these members were employed in other provinces.

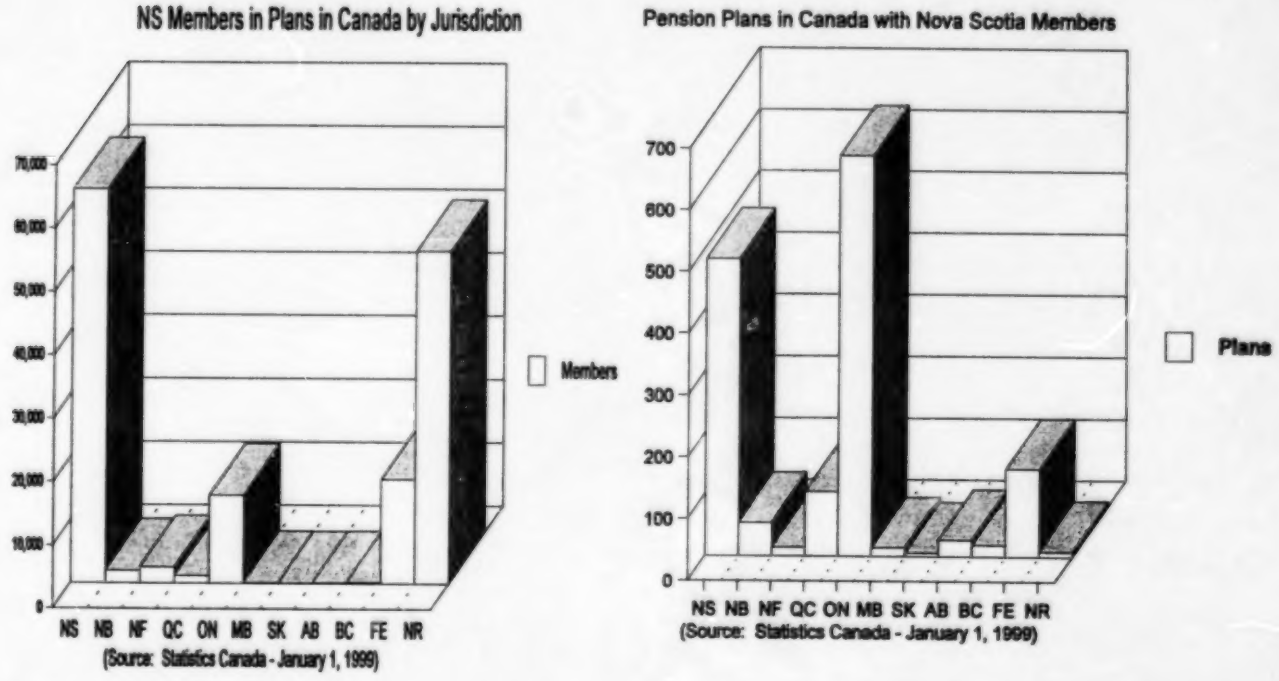
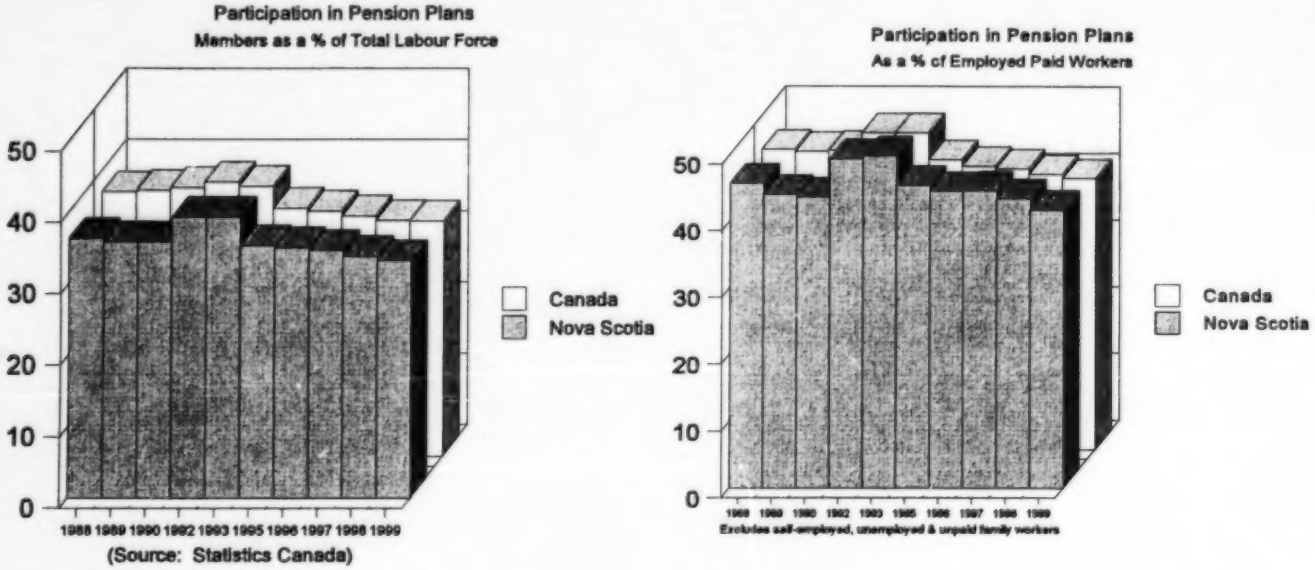


Figure 2

FE - Federal

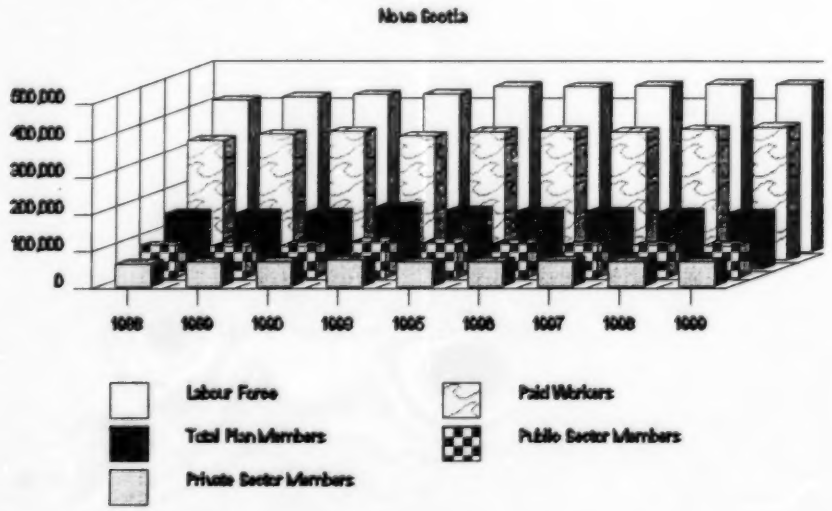
N/R Not registered - these plans include the provincial plans for Civil Servants, Teachers, Judges and Members of the Legislature as well as federal plans for the Canadian Forces, the RCMP, the Federal Public Service and the Members of Parliament.

As shown below, participation of Nova Scotians in pension plans has declined since 1988, both as a percent of the total labour force and as a percent of employed paid workers. Note that with respect to labour force coverage pension plan membership is potentially available to paid workers only; self-employed owners of unincorporated business, unpaid family workers and the unemployed are not eligible for membership.



(Source: Statistics Canada)

Nova Scotia has a higher than average proportion of paid workers in the public sector, where pension coverage is very high. Currently fifty-seven per cent of Nova Scotia pension plan members are employed in the public sector, as illustrated in the following chart:



Federal and Provincial Government downsizing between 1994 and 1998 has contributed to declining membership in public sector plans in Canada. Between January 1, 1993 and 1999, public sector membership decreased by 7%. Membership in private sector plans increased by 1% in the same period.[1]

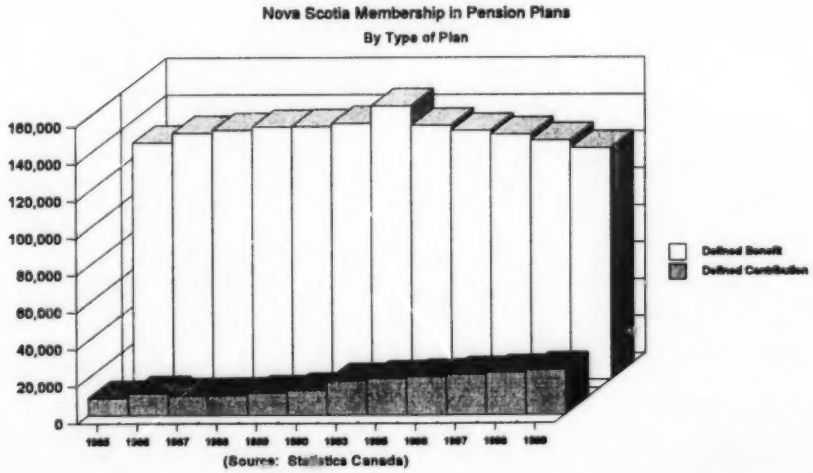
TYPES OF PLANS

Basically there are two main types of pension plans; a defined contribution/money purchase type; or a defined benefit type.

Under a defined contribution/money purchase plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by the accumulated contributions and investment earnings.

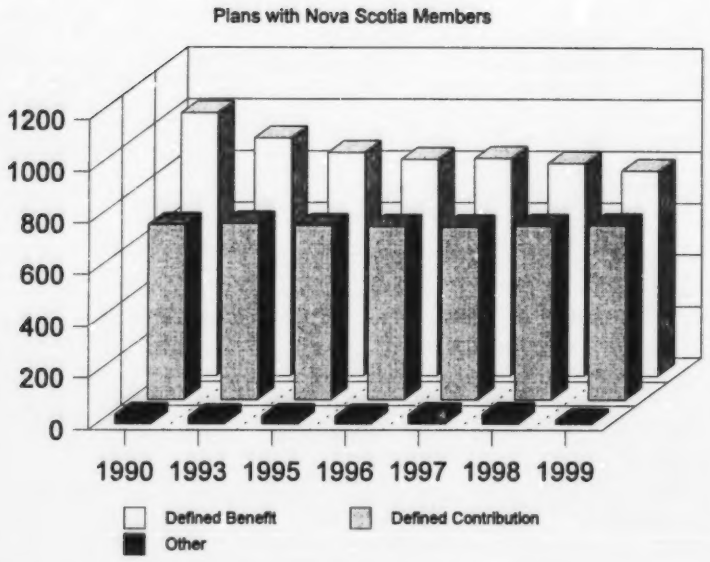
A defined benefit plan contains a specific formula as to the amount of pension each member is to receive. Effectively, the employer/administrator guarantees to provide this level of benefits and it is necessary for an Actuary to estimate periodically how large the fund should be and how much should be contributed to ensure adequate funding of the benefits. To date, the most common type of plan is a defined benefit plan.

As of January 1, 1999, there were 23,959 Nova Scotia members participating in defined contribution plans, 124,977 participating in defined benefit plans and 1,584 in other composite/combination plans.



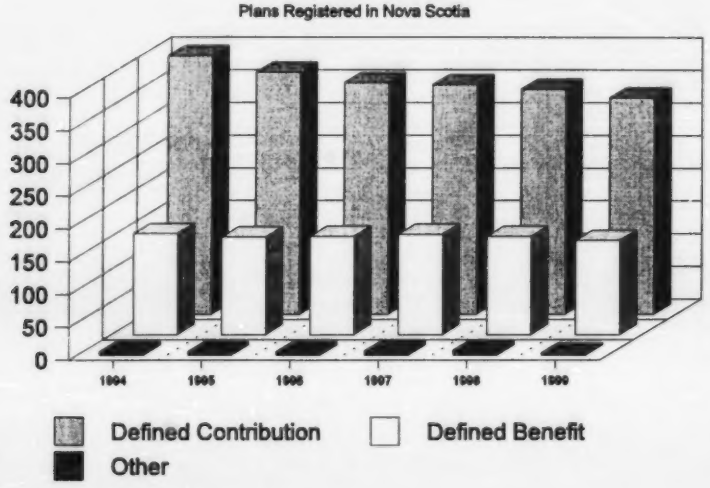
Membership in pension plans in other than defined benefit and defined contribution is insignificant and has not been included in the above chart. Participation in defined contribution plans is steadily increasing.

[1] Excerpts from "Pension Plans in Canada January 1, 1999" released by Statistics Canada.



The number of defined benefit pension plans with Nova Scotia members declined 21.7% from 1990 to 1999. The number of defined Contribution plans with Nova Scotia members remains relatively unchanged.

However, defined contribution pension plans registered with Nova Scotia (i.e. with the majority of members in Nova Scotia) have been steadily declining.



Defined Benefit plans registered in Nova Scotia declined 6.5% from 1994 to 1999.
Defined Contribution plans registered in Nova Scotia declined 16.2% in that same period.

REVENUE AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2000

Fees are payable in respect of all Applications for Registration of pension plans and for each Annual Information Return filed on a plan. The Registration and Annual Information filing fee is $5.00 for each member of the pension plan in Nova Scotia or in a designated province with a minimum fee of $100.00. The maximum fee is $5,000.00. A late filing fee is charged in respect of Annual Information Returns submitted more than six months after the end of the fiscal year of the pension plan. The additional fee is 50% of the regular fee.

The fee payable for registration by a financial institution of a specimen Life Income Fund is $1,000.00.

The revenue derived from fees charged in respect of Applications for Registration, Annual Information Returns and Life Income Funds, amounted to $262,903.

Direct operating costs for the Division for the fiscal year 1999/00 were $159,879.